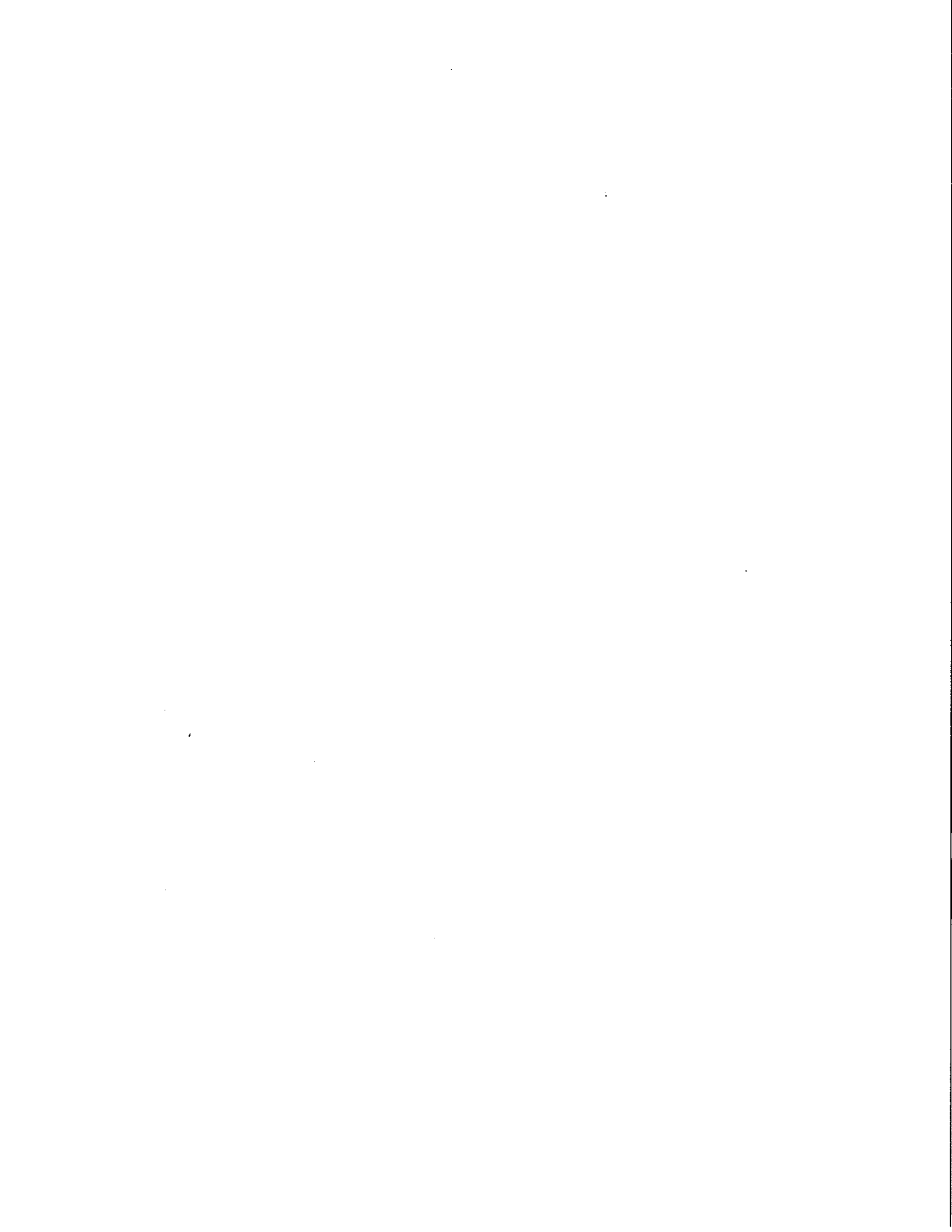


**MUHLENBERG COUNTY AIRPORT
399 AIRPORT ROAD
GREENVILLE, KENTUCKY**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
FOR YEAR-ENDED JUNE 30, 2015
AND
INDEPENDENT AUDITOR'S REPORT**



Muhlenberg County Airport

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MUHLENBERG COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

This section of the Muhlenberg County Airport (the Airport) audit report presents analysis of the Airport's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the Airport's financial statements, which follow this section.

Financial highlights - The net assets of the Airport's governmental activities increased as a result of this year's operations by \$86,399.

The Airport received the following grant funding during the year:

Runway Improvements – For year ending June 30, 2013, the Airport received a grant from US Department of Transportation, Federal Aviation Administration for the purpose of runway improvements. The total amount of the grant award was \$840,578 for Airport development. The total amount received for year ending June 30, 2015 was \$164,696. In association with the above grant, the Airport received a grant from the Kentucky Transportation Cabinet, Department of Aviation. The total amount received for year ending June 30, 2015 was \$56,722. For year ending June 30, 2015, the Airport had expended \$3,823.

Bond Repayment –The Airport received a grant from the Kentucky Transportation Cabinet, Kentucky Department of Aviation for the repayment of principal and interest of bonds payable. The Airport is responsible for the semi-annual interest payments when they become due. The amount received from the Kentucky Department of Transportation, Department of Aviation for year ending June 30, 2015 was \$98,325.

Using this annual report - Most governmental entities would report one set of financial statements for the fund level and one set of financial statements for the government wide level. However, GASB 34 permits the reporting of the fund financial statements and government wide financial statements on a single statement with adjustments for special purpose governmental entities such as the Airport.

The adjustment column on page six and seven of the audit report shows the adjustments necessary to convert fund financial statements to government wide financial statements. See page eight of the audit report for a reconciliation of the financial statements and an explanation of the adjustments.

Reporting the Airport as a fund - The column labeled Governmental Fund Balance Sheet on page six and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance on page seven, report the information about the Airport on a fund level, as required by GASB 34.

The Governmental Fund Balance Sheet includes assets and liabilities of the Airport on a modified accrual basis of accounting. The Statement of Revenues, Expenditures and Changes in Fund Balance include revenues and expenses of the Airport on the modified accrual basis. The modified accrual basis of accounting measures cash and all other financial assets that can be converted into cash.

Reporting the Airport as a whole - The column labeled Statement of Net Position on page six and the column labeled Statement of Activities on page seven, report information about the Airport as a whole as required by GASB 34.

The Statement of Net Position includes all assets and liabilities of the Airport on a full accrual basis of accounting. The Statement of Activities includes all revenues and expenses of the Airport on a full accrual basis of accounting. The full accrual basis of accounting is similar to the accounting used by most private-sector companies. On the full accrual basis of accounting, all current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**MUHLENBERG COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The Airport as a whole

Assets

Cash	\$ 676,293
Accounts Receivable	14,182
Accounts Receivable-FAA	39,760
Accounts Receivable-Ky. Transportation Department	46,316
Capital Assets	6,707,540
Land	502,309
Accumulated Depreciation	<u>(2,176,619)</u>
Total Assets	<u>5,809,781</u>

Liabilities

Accounts Payable	65,060
Payroll Tax Payable	1,498
Sales Tax Payable	790
Bonds Payable-Current	85,000
Bonds Payable-Long Term	<u>270,000</u>
Total Liabilities	<u>422,348</u>

Deferred inflows of resources-prepaid hangar rent	<u>200</u>
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Net Position

Net Investment in Capital Assets	4,678,230
Unassigned	<u>709,003</u>
Total Net Position	\$ <u>5,387,233</u>

Expenditures/Expenses

Total state grant expenditures/expenses	\$ 18,325
Total local fund expenditures/expenses	<u>538,135</u>
Total Expenditures/Expenses	<u>556,460</u>

Program Revenues

Total Federal Grants	164,696
Total State Grants	<u>155,047</u>
Total Program Revenues	<u>319,743</u>

Excess (deficiency) of Revenues over Net Program Expense	(236,717)
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Total Local Source Revenues	<u>323,116</u>
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Change in Net Position	86,399
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Net Position – Beginning of Year	<u>5,300,834</u>
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Net Position – End of Year	\$ <u>5,387,233</u>
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MUHLENBERG COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Capital Assets - At June 30, 2015, the Airport had \$5,033,230, invested in capital assets, net of accumulated depreciation.

Contacting the Airport's Financial Management - This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Airport at 399 Airport Road, Greenville, KY 42345.



GOLDSTON, PATE & COMPANY, CPAS, INC.

300 Harrison Avenue • Central City, Kentucky 42330

Phone: (270) 754-3313 • Fax: (270) 754-3314

INDEPENDENT AUDITOR'S REPORT

To the Airport Board
Muhlenberg County Airport
Greenville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Muhlenberg County Airport (the Airport) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Muhlenberg County Airport as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i-iii and 10-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about

the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of Muhlenberg County Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.



Goldston, Pate & Company, CPAs
Central City, Kentucky
December 21, 2015

MUHLENBERG COUNTY AIRPORT
GOVERNMENTAL FUND BALANCE SHEET and STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Fund Balance Sheet</u>	<u>Adjustments (See page 8)</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Current assets			
Cash	\$ 676,293	\$	\$ 676,293
Accounts receivable	14,182		14,182
Grants receivable-FAA	39,760		39,760
Grans receivable-Ky Transportation Cabinet	46,316		46,316
Total current assets	776,551		776,551
Noncurrent assets			
Capital assets		6,707,540	6,707,540
Land		502,309	502,309
Accumulated depreciation		(2,176,619)	(2,176,619)
Total noncurrent assets		5,033,230	5,033,230
Total assets	\$ 776,551	5,033,230	5,809,781
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	\$ 65,060		65,060
Payroll and withholding tax payable	1,498		1,498
Sales tax payable	790		790
Bonds payable-current		85,000	85,000
Total current liabilities	67,348	85,000	152,348
Long-term liabilities			
Bonds payable		270,000	270,000
Total liabilities	67,348	355,000	422,348
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid hangar rent	200		200
<u>FUND BALANCE/NET POSITION</u>			
Fund Balance			
Unassigned fund balance	709,003	(709,003)	
Total liabilities and fund balance	\$ 776,551		
<u>NET POSITION</u>			
Net investment in capital assets		4,678,230	4,678,230
Unrestricted		709,003	709,003
Total net position		\$ 5,387,233	\$ 5,387,233

The accompanying notes are an integral part of these financial statements

MUHLENBERG COUNTY AIRPORT
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE and STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Governmental Fund</u> <u>Statement of Revenues,</u> <u>Expenditures and</u> <u>Changes in</u> <u>Fund Balance</u>	<u>Adjustments</u> <u>(See page 8)</u>	<u>Statement of</u> <u>Activities</u>
Expenditures/Expenses			
Federal Grants			
Taxiway	\$ 137,635	\$ (137,635)	\$ -
State Grants			
Taxiway	54,472	(54,472)	
Terminal loan repay-principal	80,000	(80,000)	
Terminal loan repay-interest	17,775		17,775
Terminal loan repay-fees	550		550
Total state grant expenditures/expenses	<u>152,797</u>	<u>(134,472)</u>	<u>18,325</u>
Local Sources			
Taxiway	3,823	(3,823)	
Salaries	45,441		45,441
Payroll tax	3,476		3,476
Unemployment insurance	343		343
Advertising & marketing	286		286
Utility expense	14,485		14,485
Insurance	10,331		10,331
Depreciation expense		295,799	295,799
Maintenance and repairs	15,504		15,504
Dues and memberships	775		775
Sales tax	8,550		8,550
Supplies	124,103		124,103
Travel and training	3,596		3,596
Professional fees	12,200		12,200
Donations	106		106
Refunds	207		207
Small Items	2,360		2,360
Miscellaneous expense	573		573
Total local funds expenditures/expenses	<u>246,159</u>	<u>291,976</u>	<u>538,135</u>
Total Expenditures/Expenses	<u>536,591</u>	<u>19,869</u>	<u>556,460</u>
Program Revenues			
Federal Grants			
FAA grant-taxiway	164,696		164,696
State Grants			
State grant-taxiway	56,722		56,722
State grant-terminal loan	98,325		98,325
Total state grants	<u>155,047</u>		<u>155,047</u>
Total program revenues	<u>319,743</u>		<u>319,743</u>
Excess (deficiency) of revenues over expenditures/net program expense	(216,848)	(19,869)	(236,717)
General Revenues			
Local Source			
Tax revenues	117,959		117,959
Interest income	1,937		1,937
Lease income	8,063		8,063
Hangar rent	38,130		38,130
Fuel sales	154,075		154,075
Refunds	2,899		2,899
Miscellaneous	53		53
Total local source revenue	<u>323,116</u>		<u>323,116</u>
Change in Fund Balance/Net Position	106,268	(19,869)	86,399
Fund Balance/Net Position - Beginning of Year	602,735	4,698,099	5,300,834
Fund Balance/Net Position - End of Year	<u>\$ 709,003</u>	<u>\$ 4,678,230</u>	<u>\$ 5,387,233</u>

MUHLENBERG COUNTY AIRPORT
RECONCILIATION OF FUND FINANCIAL STATEMENTS TO
GOVERNMENT WIDE FINANCIAL STATEMENTS
JUNE 30, 2015

Reconciliation of Change in Fund Balance to Change in Net Position

Net Change in Fund Balance - Governmental Fund Financial Statements	\$ 106,268
<p>Governmental Funds report the purchase of capital assets as expenditures. In the Statement of Net Activities, those capital expenditures are recorded as fixed assets in the Statement of Net Position, and their cost of those capital assets is allocated over the estimated useful life of the assets. This is the amount of capital expenditures for the year ending June 30, 2015 and the difference in reporting these items on the governmental fund financial statements and the government-wide financial statements.</p>	
	195,930
<p>Governmental Funds report the purchase of capital assets as expenditures. In the Statement of Net Activities, those capital expenditures are recorded as fixed assets in the Statement of Net Position, and their cost of those capital assets is allocated over the estimated useful life of the assets through depreciation. This is the amount of depreciation expense for the year ending June 30, 2015 and the difference in reporting these items on the governmental fund financial statements and the government-wide financial statements.</p>	
	(295,799)
<p>Government Funds report loan payments as expenditures. In the Statement of Net Activities, only the interest is recorded. The principal amount of the loan payment is recorded in the Statement of Net Position to reduce the corresponding liability. This is the amount of loan payments paid for the year ending June 30, 2015 and the difference in reporting these items on the governmental fund financial statements and the government-wide financial statements.</p>	
	80,000
Change in Net Position - Government Wide Financial Statements	<u>\$ 86,399</u>

Reconciliation of Fund Balance to Net Position

Fund Balance - Governmental Fund Financial Statements	\$ 709,003
<p>Governmental Funds report the purchase of capital assets as expenditures. Governmental Funds also report loan proceeds as other financing sources. Governmental Funds report loan payments as expenditures. In the Statement of Net Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The resulting liability from the loan proceeds are reported as liabilities on the Statement of Net Position. The loan payments are recorded to reduce liabilities on the Statement of Net Position. This is the difference in reporting these items on the governmental fund financial statements and the government wide financial statements.</p>	
	4,678,230
Statement of Net Position - Government Wide Financial Statements	<u>\$ 5,387,233</u>

The accompanying notes are an integral part of these financial statement

MUHLENBERG COUNTY AIRPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

The Muhlenberg County Airport, (the Airport) was established during the 1920s in order to provide travel, and mail services to Muhlenberg County. The Airport has grown into an operation that serves the surrounding tri-state area, individual and corporate clients from all over the United States, as well as promoting the advancement of Muhlenberg County. The Airport manager is responsible for the daily operations of the Airport and the board of directors oversees the Airport manager. Muhlenberg County Fiscal Court approves all projects of the Airport and approves board members from a list of names submitted by the Airport board.

Financial Statements

The financial statements of the Airport have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing accounting procedures for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board approved Statement No. 34, *Basic Financial Statements -- and Management's discussion and Analysis--for State and Local Governments*. Certain significant changes in the Statement include the following: (1) a Management Discussion and Analysis section providing an analysis of the Airport's overall financial position and results of operations; (2) financial statements prepared using full accrual accounting for all of the Airport's activities, including infrastructure, if any; and (3) a change in the fund financial statements to focus on the major funds. These are reflected in the accompanying financial statements (including notes to financial statements).

These financial statements include the financial activity of the Airport only.

The Airport's basic financial statements include both government wide and fund financial statements, on a single statement, as permitted by GASB 34 for a special purpose government. The Airport is engaged in only governmental type activities.

Government wide financial statements - The activities in the government wide financial statements (Statement of Net Position and Statement of Activities) measure and report using the economic resources measurement focus and are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Fund financial statements - The governmental fund financial statements (Balance Sheet and Statement of Revenues, Expenditure and Changes in Fund Balance) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

MUHLENBERG COUNTY AIRPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure that the Airport will not be able to recover the value of its deposits that are in the possession of the financial institution. At year-end, the carrying amount and the balance per bank of the Airport's deposits was as follows:

	<u>Carrying</u> <u>Amount</u>	<u>Balance</u> <u>Per Bank</u>
Old National Bank Checking	\$ 67,713	\$ 73,659
Old National Bank Savings	\$ 191,176	\$ 191,176
Commonwealth Community Savings	\$ 417,405	\$ 417,405

The balances were fully collateralized by the Federal Depository Insurance Corporation and collateral pledged.

3. Capital Assets

The majority of capital assets consist of land, runways, and buildings, which are recorded at cost. This includes costs relating to the acquisition and development of assets such as appraisal fees, consulting fees, engineering fees, and other costs. Depreciation recorded on the government wide financial statements was \$295,799.

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets	\$6,511,611	\$195,929	\$ -	\$6,707,540
Land	502,309			502,309
Accumulated Depreciation	<u>(1,880,820)</u>	<u>(295,799)</u>	-	<u>(2,176,619)</u>
Totals	<u>\$5,133,100</u>	<u>\$ (99,870)</u>	<u>\$ -</u>	<u>\$5,033,230</u>

MUHLENBERG COUNTY AIRPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2015

4. Fund Balance

In accordance with GASB Statement No. 54, fund balances are classified as follows, if applicable:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Directors resolution.

Assigned—Amounts that are designated by the Chairman for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Directors.

Unassigned—All amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Airport considers restricted funds to have been spent first. If applicable, when an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Airport considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

5. Income Tax Status

The Airport is exempt from federal and state income taxes and, accordingly, the financial statements include no provision for such taxes.

6. Budgetary Comparison Financial Statements

GASB 34 requires the reporting of budgetary comparison schedules if a budget is legally adopted for the general fund or special revenue funds. This schedule is found at page 10-11.

7. Legal Action Pending

There is no pending or threatened litigation as of June 30, 2015.

8. Risk Management

Muhlenberg County Airport, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport carries commercial insurance for these risks. Settlement claims, if any, resulting from these risks would not be expected to exceed commercial insurance coverage.

MUHLENBERG COUNTY AIRPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2015

9. Bonds Payable

On September 18, 2007, in conjunction with the Kentucky Public Agency Development Trust and Kentucky Department of Aviation, the Airport received bond proceeds in the amount of \$860,000, less administrative costs, for the purpose of Airport improvements.

The Kentucky Department of Aviation provides funds to the Airport for the repayment of this debt; however, the Airport is responsible for the semi-annual interest payments and the annual principal payments.

Assuming no bonds are called prior to maturity, the minimum obligations of the Airport for each of the next five years for debt services (principal and interest) are as follows:

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$85,000	\$14,063	\$99,063
2017	90,000	10,125	100,125
2018	<u>180,000</u>	<u>4,050</u>	<u>184,050</u>
TOTALS	<u>\$355,000</u>	<u>\$28,238</u>	<u>\$383,238</u>

MUHLNEBERG COUNTY AIRPORT
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY BASIS	BUDGET TO GAAP DIFFERENCE	GAAP
Expenditures/Expenses					
Federal Grants					
Taxiway	\$ -	\$ -	\$ -	\$ 137,635	\$ 137,635
Total federal grant expenditures/expenses				137,635	137,635
State Grants					
Taxiway				54,472	54,472
Terminal loan repay-principal	90,000	90,000	80,000		80,000
Terminal loan repay-interest	9,000	9,000	17,775		17,775
Terminal loan repay-fees				550	550
Total state grant expenditures/expenses	99,000	99,000	97,775	55,022	152,797
Local Sources					
Taxiway				3,823	3,823
Salaries	36,000	36,000	45,441		45,441
Payroll tax	2,800	2,800	2,952	524	3,476
Kentucky unemployment	300	300	454	(111)	343
Advertising & marketing	1,000	1,000	286		286
Utility expense	13,000	13,000	15,474	(989)	14,485
Insurance	14,000	14,000	10,275	56	10,331
Maintenance and repairs	14,000	14,000	15,504		15,504
Dues and memberships	200	200	775		775
Sales tax	17,000	17,000	8,804	(254)	8,550
Supplies	113,000	113,000	121,701	2,402	124,103
Professional fees	5,000	5,000	17,138	(4,938)	12,200
Training and travel	2,000	2,000	3,596		3,596
Donations	15,000	15,000	106		106
Refunds				207	207
Small items			2,360		2,360
Capital assets	2,100,000	2,100,000	205,048	(205,048)	
Miscellaneous expense			1,439	(866)	573
Reserve for transfer	1,597,036	1,597,036			
Total local funds expenditures/expenses	3,930,336	3,930,336	451,354	(205,194)	246,159
Total Expenditures/Expenses	4,029,336	4,029,336	549,129	(12,537)	536,591

MUHLNEBERG COUNTY AIRPORT
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY BASIS	BUDGET TO GAAP DIFFERENCE	GAAP
Program Revenues					
Federal Grants					
Federal grant-taxiway	1,800,000	1,800,000	157,478	7,218	164,696
Total federal grants	1,800,000	1,800,000	157,478	7,218	164,696
State Grants					
State grant-taxiway	1,380,000	1,380,000	76,761	(20,039)	56,722
State grant-terminal loan			98,325		98,325
Total state grants	1,380,000	1,380,000	175,086	(20,039)	155,047
Total program revenues	3,180,000	3,180,000	332,564	(12,821)	319,743
Excess (deficiency) of revenues over expenditures/net program expense	(849,336)	(849,336)	(216,565)	(284)	(216,848)
General Revenues					
Local Source					
Muhlenberg County Fiscal Court					
Tax revenues	118,000	118,000	117,752	207	117,959
Interest income	1,200	1,200		1,937	1,937
Lease income	7,500	7,500	8,063		8,063
Hangar rent	31,000	31,000	37,350	780	38,130
Fuel sales	125,000	125,000	153,221	854	154,075
Refunds			975	1,924	2,899
Miscellaneous income	10	1,000	53		53
Carry over from prior year	573,507	573,507			
Total local source revenue	856,217	857,207	317,414	5,702	323,116
Change in Fund Balance	6,881	7,871	100,849	5,418	106,268
Fund Balance - Beginning of Year			602,735		602,735
Fund Balance - End of Year	\$ 6,881	\$ 7,871	\$ 703,584	\$ 5,418	\$ 709,003



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Muhlenberg County Airport
Greenville, KY 42345

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities the Muhlenberg County Airport, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Muhlenberg County Airport's basic financial statements and have issued our report thereon dated December 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Muhlenberg County Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Muhlenberg County Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Muhlenberg County Airport's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies [2015-1].

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Muhlenberg County Airport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Muhlenberg County Airport's Response to Findings

Muhlenberg County Airport's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Muhlenberg County Airport's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Goldston, Pate & Co. CPAs, Inc.
Central City, KY 42330
December 21, 2015

MUHLENBERG COUNTY AIRPORT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015

FINDINGS—INTERNAL CONTROLS OVER FINANCIAL REPORTING

SIGNIFICANT DEFICIENCY

2015-1 Lack of Segregation of Duties over Financial Reporting

Condition: Internal control over financial reporting could be strengthened with improved segregation of duties.

Criteria: Internal controls should be in place that provides reasonable assurance that recaptured funds are timely requested and only spent for approved purposes.

Cause: Small staff size and limited resources prevent a proper segregation of duties over financial reporting.

Effect: Without proper segregation of duties, the organization is at a greater risk of theft of assets and fraudulent financial reporting.

Recommendation: Due to the limited size and resources of the Airport, hiring additional staff is not an option; however, procedures should be implemented to strengthen internal control over financial reporting.

Response: The Airport agrees with the finding and will consider adding additional controls to strengthen its internal control structure.